

To: Ian Matheson, Royal Mines & Minerals

From: Andrew Neale, Domaro Resources, Inc.
Ish Grewal, Met-Solve Laboratories, Inc.

Date: February 11th, 2011

Re: Results from Testing the Royal Mines Proprietary Gold Recovery Process

Assignment: To evaluate a proprietary process supplied by Royal Mines to recover gold from materials not previously thought to contain significant levels of measurable gold.

Confidentiality Agreement: Prior to the start of the test work a confidentiality agreement was signed by all participants in the study. The results of the test work are reported to Royal Mines as per the guidelines of the confidentiality agreement.

Cost of Study: The test work completed at the Met-Solve laboratory was estimated to cost CDN\$10,000 plus the cost of reagents, materials and analytical services.

Personnel Involved: The work was completed with input from, and under the supervision of Andrew Neale and Ish Grewal.

Andrew Neale is a mining industry executive with over 20 years experience in all facets of production, including operations, engineering management, environmental management and government relations. He was previously Vice President - Technical-Services for Freeport McMoRan Copper and Gold in both Indonesia and New Orleans. Andrew has a BSc and MSc in Mineral Processing Engineering from the University of Alberta, and is a registered professional engineer in the province of British Columbia.

Ish has over 19 years experience in the field of extractive metallurgy, mineral processing and research and development. He obtained his BAsC and MASc degrees in Metals and Materials Engineering from The University of British Columbia, and is a registered professional engineer in the province of British Columbia.

Both Andrew Neale and Ish Grewal are independent consultants to Royal Mines, hold no formal position with Royal Mines, and have no financial interests in the outcome of these studies except in regards to the cash compensation they will receive for completing this work. There are no circumstances that could, in the opinion of a reasonable person aware of all relevant facts, interfere with the judgment of either individual regarding the preparation of this memo.

Study: A sample of commercial coal fly ash was purchased by Met-Solve Laboratories from Border Construction Specialties of Phoenix, Arizona and delivered by commercial carrier directly to the Met-Solve laboratory in Burnaby, British Columbia. This product from Border Construction is sourced from Salt River Materials Group of Scottsdale, Arizona and is the same product that has been tested extensively at the Royal Mines and Minerals facilities in Phoenix, Arizona.

A representative sample of the delivered material was submitted for conventional fire assay for gold content at an accredited analytical lab in Vancouver owned and operated by SGS, one of the world's leading inspection, verification, certification and testing companies.

The feed sample assay as reported by SGS was 0.01 grams per metric ton (gpt) - equivalent to 0.01 parts per million.

Initial Test Work: Two series of test were completed on the coal fly ash as per procedures provided by Royal Mines. A technical representative of Royal Mines spent time in the Met-Solve lab supervising the first series of tests to ensure the appropriate protocols were followed.

The first stage of the process is to create a solid/liquid slurry of the coal fly ash with water and certain chemicals as specified by Royal Mines. After an appropriate conditioning period the slurry is filtered; the filtrate (the liquid fraction) is subject to subsequent processing, the solid residue is not subject to any subsequent processing.

Samples of this solid residue from four separate tests in the first series of tests were submitted to the SGS analytical lab, and returned gold assays of:

0.02 gpt, 0.02 gpt, 0.05 gpt and 0.08 gpt respectively.

These values are significantly higher than those recorded in the original feed sample of 0.01 gpt.

Follow-Up Test Work: A second series of tests were run using identical protocols, but on a larger scale – i.e. 300 grams/test in the first series, 1,200 grams/test in the second series.

Filter Cake Results: Samples of the solid residue (cake) from four separate tests in the second series of tests were submitted in duplicate (i.e. Cut 1 & Cut 2 for the solid residue from each test) to the same analytical lab, and returned gold assays as summarized in the following table.

Sample Name	Sample Description	F.A. Au g/t	F.A. Au oz/ton
84755	Stage 1 cake cut 1	33.60	0.980
84756	Stage 1 cake cut 2	5.24	0.153
84757	Stage 2 cake cut 1	3.33	0.097
84758	Stage 2 cake cut 2	1.48	0.043
84759	Stage 3 cake cut 1	0.81	0.024
84760	Stage 3 cake cut 2	0.53	0.015
84761	Stage 4 cake cut 1	0.42	0.012
84762	Stage 4 cake cut 2	0.98	0.029
84755	Stage 1; cut 1 (dup)	33.44	0.975

The assayed values in these residues are significantly higher than the reported feed grade, with all assays being completed using conventional fire assay techniques. Similarly, they are significantly higher than the reported results from the test of the first series.

Filtrate Results: The filtrates from all tests were subject to the test procedures as outlined by Royal Mines. All tests resulted in no net recovery of gold.

Samples of the filtrate were submitted to the same analytical lab for gold analysis using conventional Atomic Absorption techniques. None of the filtrates showed any significant gold content, using conventional analytical techniques.

Conclusion: When the fly ash samples were subjected to the proprietary hydrometallurgical chemical treatment furnished by Royal Mines, measurable gold assays were reported in the solid residue (cake) by SGS laboratories, an accredited analytical lab, using conventional fire assay procedures. The Royal Mines treatment appears to make available to the fire assay previously undetectable gold values from the starting solids.

Yours Sincerely,

Handwritten signature of Andrew Neale, consisting of a stylized 'A' followed by 'for'.

Andrew Neale, P.Eng.
Domaro Resources, Inc.

Handwritten signature of Ish Grewal, consisting of a stylized 'I' followed by 'G' and a large flourish.

Ish Grewal, P.Eng.
Met-Solve Laboratories Inc.